

50X1-HUM

SUPPLEMENT TO  
REPORT NO.

THIS IS UNEVALUATED INFORMATION

# ADMINISTRATION COUNCIL REGULATES SALT INDUSTRY

Only about 30 percent of salt production is in private hands in the Northeast. In China proper, however, only 20 percent of salt production is publicly operated. In the Northeast, transport and marketing is carried on under unified government control, while in the rest of the country it is carried on jointly by public and private enterprise. Tax collection in the Northeast and in North China is in the hands of the finance authorities, while transport and marketing are handled by the Ministry of Trade. In East China, the Northwest, and Inner Mongolia all three phases are in the hands of the finance authorities.

## 1. Production

Production will be carried on by both public and private operation. Production will be determined by the market; the quality will be improved, and costs will be reduced. All salt fields that are concentrated, with convenient control, low costs, high quality, and easy transport should increase their capital and improve their equipment to expand production. Fields that have little or no expansion possibilities, but which are important to the local food needs of the people, and in which the workers would have difficulty in changing to some other occupation, may temporarily continue operations on the present scale. Fields that are greatly substandard, whose production is not important for local food needs, and whose workmen could easily shift to other occupations, should plan gradually to reduce production and finally cease operations.

**CONFIDENTIAL**

**CONFIDENTIAL**

Sanitized Copy Approved for Release 2011/08/17 : CIA-RDP80-00809A000600310576-8

**CONFIDENTIAL**

CONFIDENTIAL

50X1-HUM

On the basis of the present situation, publicly and privately operated fields should aim at a production of 68,420,000 piculs (Taiwan not included) during 1950.

## 2. Marketing

In the Northeast, the policy of unified transport and marketing shall be continued. In the rest of the country, the policy of joint public and private operation is to be employed. Where production and market are separated, the Salt Corporation shall be responsible. In the matter of capital, aside from 2 million piculs of salt designated by the government for capital investment, increase of private capital shall be sought for expansion of transport and marketing.

In the present year, 37,060,000 piculs are designated for food purposes and 6,500,000 piculs for industrial and fishing uses. In addition, 12 million piculs are designated for export.

## 3. Taxation

The salt tax in each area for each picul of salt shall be computed in terms of grain as follows: Northeast, 175 catties of kaoliang; Northwest, 80 catties of millet or 90 catties of wheat, depending on type of salt; East China, 80 catties of rice; other places, with the exception of Inner Mongolia, 100 catties of millet (or rice). To encourage production and export, salt for agricultural and industrial purposes, as well as for export, shall be tax free. The tax on salt used for fisheries shall be 30 percent of the rate on food salt. The salt tax rate for Inner Mongolia is to be determined separately.

The tax income on food salt and salt for fisheries should reach 3,200,000,000 catties of food grains. To insure the value of the tax receipts, the Central Salt Affairs Bureau may delegate authority to the local salt bureaus and their branch offices to revise rates according to local grain prices.

## 4. Smuggling

In the prevention of smuggling, the chief dependence is upon the masses, but there should be a suitable increase in the number of armed forces charged with the task so that there may be liaison for mutual aid between the areas of production and marketing and between the salt-smuggling-prevention forces and other antismuggling forces. Stations at important places should be set up to control salt production by local methods and adjust tax rates to limit production. At the same time, there should be coordination between local authorities and agricultural organizations to change the nature of alkaline soil so that it may be made useful as agricultural land.

## 5. Distribution of Authority

In accordance with national policy, salt production shall be under the direction of the Ministry of Industry, transport and marketing under the Ministry of Trade, and tax collection under the Ministry of Finance, to assure strict division of functions and specialized responsibility. However, at present, facilities are not available for such a careful distinction of control. Hence, in the first stage, it is only possible to follow a unified tax-collection system with transport and marketing separately handled. The Northwest and Inner Mongolia will maintain the present system and the Northeast will continue with the unified marketing system. In North China, East China, and Central and South China, transport and marketing will be under the control of the various agencies of the Ministry of Trade and its salt companies on the various levels. In the Southwest, production, tax collection, and antismuggling operations will be controlled by the Ministry of Finance and its local representative agencies.

- 2 -

CONFIDENTIAL

**CONFIDENTIAL**

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

## 6. Organization of Control Agencies

Salt administration shall be maintained on five levels, a Central Salt Affairs Bureau organized by the Ministry of Finance, a district salt affairs bureau in each regional administrative district, and, on the lower levels, salt control bureaus and branch salt field offices according to the requirements of local conditions. In North China and Central and South China, district bureaus shall not be established; salt administration shall be directly under the control of the Central Salt Affairs Bureau. In the other areas, there shall be district bureaus and they shall be under the joint supervision of the central salt bureau and the Ministry of Finance of the regional administrative district. Organization on all levels shall follow the basic principle of simplicity. Cadre personnel shall be determined by the requirements of the work. The conditions of organization and the number and disposition of the people's salt inspectors will be separately indicated.

To strengthen transport and marketing planning, except in the Northeast, Northwest, and Inner Mongolia, all marketing, both local and distant shall be controlled by the Salt Corporation which shall be responsible for control of market prices at the fields. Tax assessments shall be set by the Central Salt Affairs Bureau and posted in the Salt Corporation's stores. The salt stores shall deposit the tax funds directly in the treasury and use the receipt to secure from the Central Salt Affairs Bureau the tax payment certificate necessary for transporting salt. All edible, cleansing, reworked, and export salt, as well as transport and the control of the transport companies, shall be in the corporation's hands. However, the responsibility for issuing tax certificates, sales of industrial, fisheries, and agricultural salt, and smuggling detection, and seizure belong to the Central Salt Affairs Bureau.

In North China, East China, and Central and South China (with the exception of Kwangtung, Kwangsi, and Taiwan) salt companies shall be responsible for domestic sales of 20 million piculs of edible salt. However, the Central Salt Affairs Bureau may include the tax collections of raw salt and incidental sales in the salt fields among the responsibilities of the salt companies.

The Central Salt Affairs Bureau is responsible for production and quality. Export salt shall be laboratory tested. The salt stores shall be responsible for meeting sales quotas and for providing the needed grain supplies at the salt fields, as well as cloth and fuel. At the same time, to protect the quality, the companies shall guard against the addition of stones or sand to the salt while in transport.

The salt bureau shall establish a scientific system of combining co-operation with division of labor between itself and the salt companies, and maintain close liaison with mutual exchange of intelligence and experience. In the future, any questions of policy shall be jointly reported by the two organizations for a decision by the higher authorities. Many problems can be worked out jointly by these two organizations.

## 7. Demarcation of Market Areas

Formerly there were 14 production and eight sales areas, but now a new arrangement of seven marketing areas has been made on the basis of the regional administrative districts, with sales duties as follows:

- a. Northeast -- all sales except for export.

- 3 -

CONFIDENTIAL

CONFIDENTIAL

**CONFIDENTIAL**  
CONFIDENTIAL

50X1-HUM

b. North China -- sales shall be chiefly of Ch'ang-lu (Ueda: 12698, 10229) salt in Hopeh, Pingyuan, central Shansi (T'ai-yuan area) Southern Chahar, Kalgan, and eastern Suiyuan. Surplus salt may be supplied to Central China and exported. Cleansing salt may be sold in southern Shansi, Shensi, and western Honan.

c. East China -- sales shall be within the area. Surpluses may be disposed of in Central and South China and exported.

d. Northwest -- includes western Suiyuan.

e. Southwest -- sales in the area. Szechwan salt may be disposed of in western Hupeh, western Hunan, and southern Shensi.

f. Central and South China -- Kwangtung salt shall be sold in Kwangtung and Kwangsi. Surpluses may be sold in southern Hunan and southern Kiangsi.

g. Inner Mongolia -- sales within the Autonomous Region, eight hsiens of northern Chahar, and seven hsiens, and one banner of northern Jehol.

Authorities on all levels and all finance and economic agencies shall give honest study and exact execution to the above directive in order that the people shall not lack salt, that taxes will not be lessened by smuggling, and that 1950 financial responsibilities may be successfully carried out.

- E N D -

- 4 -

CONFIDENTIAL

**CONFIDENTIAL**